

IN THE MATTER OF: )

UNIVERSAL CASUALTY COMPANY )  
150 Northwest Point Blvd., 2<sup>nd</sup> Floor )  
Elk Grove Village, Illinois 60007 )

ATTENTION: Colin Simpson )  
President and CEO )  
of Kingsway Financial Services, Inc. )

ATTENTION: Scott Wollney )  
President of Universal Casualty Company )

**STIPULATION AND CONSENT ORDER**

**WHEREAS**, the Director ("Director") of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

**WHEREAS**, Universal Casualty Company ("Universal"), a subsidiary company of Kingsway Financial Services, Inc., is a domestic stock, property and casualty insurance company, writing private passenger automobile insurance business in Illinois, Indiana, and Missouri and having authority in Illinois to conduct the types of insurance business defined in Section 4, Class 2(b) of the Illinois Insurance Code ("Code") [215 ILCS 5/4]; and

**WHEREAS**, the Department completed a Market Conduct Examination of Universal on July 14, 2006 and issued its final revised Market Conduct Examination Report ("Report") on January 14, 2008 criticizing Universal for various claim practice violations of the Code and its

attendant regulations including 215 ILCS 5/154.6(c) for failure to adopt and implement reasonable standards for prompt investigation and settlement of claims; and

**WHEREAS**, on or about January 30, 2008, Universal entered into the lawful Stipulation and Consent Order ("Consent Order") with the Director whereby Universal agreed to institute and maintain procedures ordered by the Director to remedy the violations identified in the Report, to issue payment for all refund amounts and provide documentation, and to provide proof of compliance with such procedures within 30 days of the Consent Order; and

**WHEREAS**, since the date of the Consent Order the Department has received at least 436 consumer complaints against Universal, a significant number of which indicate that Universal has failed to adopt and implement reasonable standards for prompt investigation and settlement of claims as required by Section 154.6(c) of the Code [215 ILCS 5/154.6(c)] and Order No. 8 of the Consent Order (the "Violations") thereby giving the Director sufficient cause to believe that Universal had not complied with the terms of the Consent Order; and

**WHEREAS**, pursuant to Section 401.1 of the Illinois Insurance Code, on July 15, 2009, the Director issued an Order mandating Universal to stop writing new business in the State of Illinois if it could not demonstrate to the Director's satisfaction that it had complied with the January 30, 2008 Consent Order; and

**WHEREAS**, during a meeting with the Department on July 21, 2009, Universal did not deny violating the prior Consent Order and represented that a number of measures addressing areas of non-compliance have already been put in place such as the implementation of a fast track claim process, assignment of independent appraisers on all first and third party damage claims, the establishment of a coverage specific claims unit, the appointment of a claim practice implementation manager, the establishment of a call back program, utilization of CCC Valuations for total loss claims and new adjuster training in addition to further corrective measures to be implemented in the immediate future; and

**WHEREAS**, based on Universal's expressed commitment and representations at the July 21, 2009 meeting the Director issued an Order on July 22, 2009 staying the effect of the Order issued on July 15, 2009; and

**WHEREAS**, pursuant to Section 5/401(d) of the Code (215 ILCS 5/401(d)) the Director has the power to institute such actions or other lawful proceedings as he may deem necessary for the enforcement of the insurance laws of this State; and

**WHEREAS**, Universal is aware of and understands its various rights, including the right to counsel, notice, hearing and appeal under Section 5/401 and 5/407.2 of the Code (215 ILCS 5/401 and 5/407.2) which are expressly waived; and

**WHEREAS**, Universal and the Director, for the purpose of superseding Orders issued on July 15, 2009 and July 22, 2009 without the necessity of an administrative hearing, hereby enter into this Stipulation and Consent Order.

**NOW THEREFORE, IT IS**, agreed by and between Universal and the Director of Insurance as follows:

- I. To stipulate that Universal did not comply with Order No. 8 of the Consent Order issued on January 30, 2008, by not adopting and implementing reasonable standards for prompt investigation and settlement of claims as required by Section 154.6(c) of the Code.
- II. The Department duly commenced a market conduct examination on July 27, 2009 ("Examination") to verify, in addition to conducting a market conduct examination, that corrective measures have and are being implemented by Universal as represented by Universal and to determine whether such measures are satisfactory to the Director in his sole discretion.

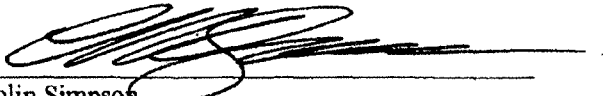
**NOW THEREFORE, IT IS HEREBY ORDERED** by the undersigned Director of the Illinois Department of Insurance, pursuant to Section 401 of the Illinois Insurance Code (215 ILCS 5/401), as follows:

- A. Universal will continue to implement the necessary measures to bring Universal into full compliance with applicable claims handling laws of the State of Illinois.
- B. Universal shall re-open and/or re-adjudicate all claims which are the subject of a consumer complaint received by the Department between January 1, 2008 and the date of this Stipulation and Consent Order. Within 60 days following the date of this Stipulation and Consent Order, Universal shall provide the Department with proof that each claim has been resolved consistent with the Illinois Insurance Code (215 ILCS 5/1 et seq.) and Regulations (50 Ill. Adm. Code).
- C. Universal is levied a civil penalty in the amount of \$200,000, with \$100,000 of that amount to be paid to the Department within 15 days of the date this Order is executed by the Director and the remaining \$100,000 to be payable in the event that the Examination concludes that corrective measures satisfactory to the Director have not been implemented.
- D. This Order supersedes the previous Orders issued on July 15, 2009 and July 22, 2009.

A material violation of the above Stipulation and Consent order shall subject Universal to further administrative action pursuant to Section 5/407.2 of the Illinois Insurance Code (215 ILCS 5/407.2).

Nothing contained herein shall prohibit the Director from taking any and all appropriate action, including but not limited to levying additional forfeitures, should Universal violate any provision of this Stipulation and Consent Order, or should it be found that Universal has violated any provisions of the Illinois Insurance Code (215 ILCS 5/1 et seq.) or Regulations (50 Ill. Adm. Code) other than the Violations.

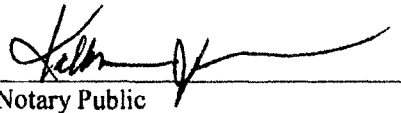
UNIVERSAL CASUALTY COMPANY



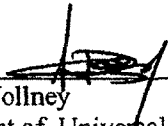
Colin Simpson  
President and CEO of Kingsway Financial Services, Inc.  
On behalf of Universal Casualty Company

~~Province~~ State of Ontario )  
~~City~~ County of Mississauga )

Subscribed and sworn to me before  
this 11<sup>th</sup> day of August, 2009.

  
Notary Public

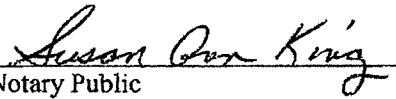
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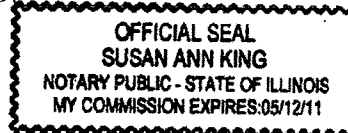
  
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Scott Wollney  
President of Universal Casualty Company

State of ILLINOIS )

County of COOK )

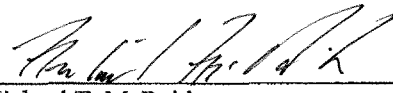
Subscribed and sworn to me before  
this 11<sup>TH</sup> day of AUGUST, 2009

  
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Notary Public



DEPARTMENT OF INSURANCE  
STATE OF ILLINOIS

Date: 8-11-9

  
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Michael T. McRaith  
Director